

**DIRECT TESTIMONY
OF
P. RODNEY BLEVINS**

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**DIRECT TESTIMONY
OF
P. RODNEY BLEVINS
ON BEHALF OF
DOMINION ENERGY SOUTH CAROLINA, INC.
DOCKET NO. 2020-125-E**

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.

A. My name is Rodney Blevins, and I serve as President of Dominion Energy South Carolina, Inc. (“DESC” or collectively the “Company”).¹ My business address is 400 Otarre Parkway, Cayce, South Carolina.

Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE.

A. I am a graduate of Virginia Tech with a bachelor’s degree in electrical engineering, and I completed the advanced management program at Duke University’s Fuqua School of Business. I joined Dominion Energy, Inc. (“Dominion Energy”) in June 1987 as an associate engineer and held several positions across the electric distribution business. I was named Vice President–Electric Operations in 2006, responsible for the operation of the

¹ In April 2019, SCE&G changed its name to Dominion Energy South Carolina, Inc. as a result of the acquisition of SCANA Corporation by Dominion Energy, Inc. For consistency, I use “DESC” to refer to the Company both before and after this name change.

1 Company's electric distribution assets. Subsequently, I was appointed Senior
2 Vice President and Chief Information Officer in January 2014. In January
3 2019, I became President and Chief Executive Officer of the Southeast
4 Energy Group and assumed my current role in December 2019 after some
5 segment realignments across Dominion Energy.

6 **Q. WHAT ARE YOUR DUTIES WITH DESC?**

7 A. As President of DESC, I oversee the Company and its regulated
8 operations as a vertically integrated electric and natural gas distribution
9 utility company. The electric business consists of power generation,
10 transmission and distribution, and the natural gas business is solely
11 distribution. These businesses ultimately serve approximately 753,000
12 electric and 399,000 gas customer accounts in South Carolina.

13 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC**
14 **SERVICE COMMISSION OF SOUTH CAROLINA (THE**
15 **"COMMISSION")?**

16 A. Yes. I have appeared on a prior occasion before the Commission in
17 an allowable ex parte informational briefing.

18 **Q. WHAT IS THE PURPOSE OF THE DIRECT TESTIMONY YOU ARE**
19 **PRESENTING IN THIS CASE?**

20 A. My direct testimony provides an overview of the Application in this
21 proceeding and explains why DESC is seeking rate relief at this time. I

1 introduce the other witnesses providing direct testimony on behalf of the
2 Company and review the current status of DESC's electric operations,
3 customer service and community involvement. I discuss events that have
4 occurred after the merger and provide a general overview of the integration
5 of the companies. Specifically,

- 6 • I will discuss some of the efforts that have taken place since
7 Dominion Energy's acquisition of SCANA Corporation
8 ("SCANA") and its subsidiaries and Dominion Energy's plans to
9 continue to improve efficiencies and integrate operations.
- 10 • I will discuss the status of the merger integration and merger
11 synergies, both financial and non-financial, as well as the current
12 status of merger commitments.
- 13 • Additionally, I will discuss the impacts on DESC's operations of
14 COVID-19, the sale of certain gas assets to Berkshire Hathaway,
15 and Dominion Energy's decarbonization commitments.

16 **Q. WHO ARE THE OTHER WITNESSES PROVIDING DIRECT**
17 **TESTIMONY IN THIS PROCEEDING?²**

18 A. The following witnesses will provide direct testimony to support the
19 Company's Application in this matter:

² For purposes of this filing, V.C. Summer Unit 2 & 3 costs and merger or merger integration costs are not part of this proceeding or the rates requested in this Application.

- 1 • **Keller Kissam**, President of Electric Operations for DESC, will
2 testify concerning the reliability, safety, and resiliency of the
3 electric system; key drivers to the current rate proceeding; the need
4 for a vegetation management accrual account and the need to
5 restore funding for the Storm Damage Reserve account.
- 6 • **Iris Griffin**, Vice President of Financial Management and
7 Integration for DESC, will testify concerning the financial position
8 of DESC. She will address the Company's cost of capital, capital
9 structure, actions taken post-merger to stabilize the Company
10 financially and the current need for rate adjustments.
- 11 • **Dr. James Vander Weide**, President of Financial Strategy
12 Associates, will testify concerning current conditions in capital
13 markets, the reasonableness of the Company's capital structure
14 and an appropriate cost of capital for the Company. Dr. Vander
15 Weide will also sponsor the Company's cost of capital study.
- 16 • **Regina Elbert**, Vice President of Human Resources Business
17 Services for Dominion Energy Services, Inc., will testify
18 concerning the reasonableness of incentive compensation and its
19 benefits to customers.

- 1 • **Keith Coffey**, Controller of DESC, will testify concerning test
2 period financial data, certain pro forma adjustments, the nuclear
3 outage accrual and other accounting matters.
- 4 • **Kevin Kochems**, Manager of Regulatory Accounting for DESC,
5 will testify concerning certain pro-forma adjustments and cost of
6 service.
- 7 • **John Spanos**, President of Gannett Fleming Valuation and Rate
8 Consultants, LLC, will sponsor the updated depreciation study and
9 testify that the proposed depreciation rates appropriately reflect
10 the rates at which the Company's assets should be depreciated
11 over their useful lives.
- 12 • **Zachary Long**, Senior Strategic Advisor for Dominion Energy
13 Services, Inc., will testify concerning merger integration savings,
14 synergies and services provided to the Company through
15 Dominion Energy Services, Inc.
- 16 • **Allen Rooks**, Manager of Electric Pricing and Rate
17 Administration at Dominion Energy Southeast Services, Inc., will
18 testify concerning the Company's rates and rate design. He will
19 also sponsor the proposed tariff sheets and revised terms and
20 conditions for retail rates.

21

I. DESC'S ELECTRIC SYSTEM

Q. PLEASE DESCRIBE DESC'S ELECTRIC SERVICE AND SERVICE TERRITORY.

A. As of December 31, 2019, DESC served approximately 753,000 electric customers in a service territory that covers approximately 16,000 square miles in 24 counties in central, southern and southwestern South Carolina. DESC's service area includes the metropolitan areas of Charleston, Columbia, Beaufort, and Aiken, and many other smaller cities and towns and rural areas throughout the area. We serve 640,443 residential customers, 98,439 commercial customers, 785 industrial customers, and 4,686 lighting and other customers. In 2019, 35.9% of DESC's total territorial electric sales were made to residential customers, 32.0% were made to commercial customers, 25.0% to industrial customers and 7.1% to lighting and other customers.

Q. PLEASE DESCRIBE THE ELECTRIC SYSTEM DESC OPERATES TO SERVE ITS CUSTOMERS.

A. DESC serves its customers through an integrated generation, transmission and distribution system, which, including support and customer service personnel, employs approximately 3,500 people in South Carolina. The generating system includes 66 hydro and fossil generating facilities with a dependable net summer generating capacity of 5,659 megawatts ("MW")

1 and a single unit nuclear station with a net dependable summer generating
2 capacity of 650 MW. By winter 2020, these electric generating stations are
3 supplemented by 975 MW of solar generation, most of which is purchased
4 from third parties under long-term power purchase agreements, and a 20 MW
5 allocation from the Southeastern Power Administration. DESC's electric
6 transmission system consists of approximately 3,700 circuit miles of
7 transmission lines, along with approximately 470 substations and 30
8 switchyards. DESC's electric distribution assets comprise approximately
9 26,600 circuit miles of distribution lines along with approximately 259,858
10 transformers and 390 distribution substations that deliver power to
11 customers. The original cost of DESC's assets serving retail electric
12 customers is \$10.8 billion before depreciation. Net of depreciation and other
13 adjustments, the electric rate base is \$5.5 billion.

14 **II. OVERVIEW OF THE RATE REQUEST**

15 **Q. PLEASE PROVIDE AN OVERVIEW OF DESC'S RATE REQUEST.**

16 A. The present rate request is based on a calendar year 2019 historic test
17 year (the "Test Year") and seeks a net increase in rates of 7.75%. As Ms.
18 Griffin will testify, if the requested rates had been in effect during the Test
19 Year, they would have allowed DESC the opportunity to earn a return on
20 equity ("ROE") of 10.25% on its retail electric operations, which is identical
21 to the return authorized by the Commission when the current rates were set

1 in 2012. DESC's actual return on equity during the Test Year was 5.90% or
2 approximately 42% below the authorized return. The current return is
3 unreasonably low by any standard.

4 **Q. WHAT ARE THE KEY DRIVERS OF THIS REQUEST?**

5 A. This proceeding is DESC's first retail electric rate proceeding in over
6 eight years. Current rates were set on a test period that ended on December
7 31, 2011. Since that time, DESC has invested over \$3.2 billion to replace
8 equipment that has reached the end of its useful life, to rebuild or harden
9 systems to make them resilient against storms, to protect against cyber
10 security and physical security threats, and to ensure that its electric system
11 can meet mandatory Federal reliability standards and customers' reliability
12 expectations. DESC has also invested capital to meet increasingly stringent
13 environmental standards. We have added the generation, transmission and
14 distribution capacity needed to serve over 80,000 new electric customers and
15 continue to incorporate renewable resources onto the system. Company
16 Witness Mr. Kissam and other Company witnesses will testify about these
17 investments in more specific detail. These investments and the resulting
18 growth in rate base are the largest single driver of the current rate request.

19 **Q. ARE THESE INVESTMENTS BENEFITING CUSTOMERS?**

1 A. Yes. Our customers and the state are benefitting from these
2 investments today. As Mr. Kissam testifies, these investments are making it
3 possible for the Company to operate safely, reliably and efficiently.

4 **Q. ARE THERE OTHER DRIVERS TO THIS RATE REQUEST AS**
5 **WELL?**

6 A. Yes. The other drivers of the rate request include increased
7 depreciation expense, increased state and local taxes (taxes other than income
8 taxes), the need to fund a storm damage reserve, the expense of vegetation
9 management and the need to begin to amortize approximately \$135 million
10 in deferred costs. Other Company witnesses, including Mr. Kissam, Ms.
11 Griffin, Mr. Coffey and Mr. Kochems, will discuss these individual drivers
12 of the request in more detail.

13 **Q. HOW DOES THE REQUESTED RATE INCREASE COMPARE TO**
14 **THE RATE OF INFLATION IN THE U.S. ECONOMY SINCE 2011?**

15 A. A 7.75% increase in rates over eight years equals an annual increase
16 of less than 1% a year. Over the same period, inflation in the United States
17 economy, as measured by the U.S. Bureau of Labor Statistics Consumer
18 Price Index, was approximately 14%, which is more than 40% higher than
19 the increase requested here.

20 **Q. HOW HAS DESC BEEN ABLE TO OFFSET INFLATIONARY**
21 **PRESSURE SINCE 2011?**

1 A. DESC has been able to offset a significant amount of inflationary
2 pressure through careful management, efficiency improvements, cost-
3 reducing technology, and merger savings. The recent reduction in federal
4 income taxes under the Tax Cut and Jobs Act has also helped to hold down
5 the requested increase. Nonetheless, as the financial data indicate, an
6 increase is warranted.

7 **Q. ARE ANY OF THE COSTS OF CONSTRUCTING V.C. SUMMER**
8 **UNITS 2 & 3 PART OF THIS REQUEST?**

9 A. No. As Mr. Kochems testifies in more detail, the cost of constructing
10 V.C. Summer Units 2 & 3 is not reflected in this request. All amounts
11 presented for rate recognition here are exclusive of these costs.

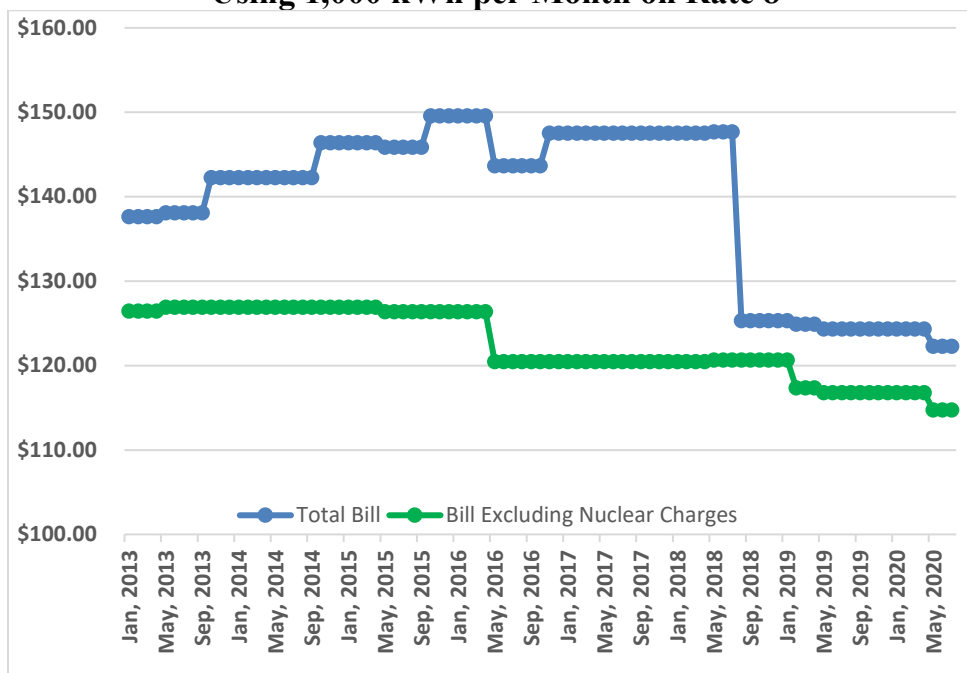
12 **Q. ARE ANY ADDITIONAL COSTS RELATED TO FUEL, DEMAND**
13 **SIDE MANAGEMENT (“DSM”) PROGRAMS OR OTHER RIDER-**
14 **BASED CHARGES INCLUDED IN THE RATE REQUEST?**

15 A. No. Costs related to fuel, DSM programs or other rider-based charges
16 are not a part of the additional revenue we are requesting. But as the
17 Commission’s DSM orders require, we are requesting a reduction in the
18 current DSM cost recovery factor to remove net lost revenues that will be
19 covered by the requested rates. That amount is netted from the requested
20 increase.

Q. TAKING FUEL, DSM PROGRAMS AND OTHER RIDER-BASED CHARGES INTO ACCOUNT, HOW DO CUSTOMER BILLS TODAY COMPARE TO BILLS IN JANUARY 2013, WHEN THE CURRENT RATES TOOK EFFECT?

A. Current customer bills are lower. Since January 2013, a typical residential customer's bill, excluding new nuclear charges, has decreased by 9.27%. This is principally due to reductions in fuel costs and corporate taxes. Even after the requested overall rate adjustment, the typical retail customer bill, net of new nuclear charges, will be less than it was in January of 2013.

**Graph A - Average Bill for Residential Customers
Using 1,000 kWh per Month on Rate 8**



1 **Q. IS THE CURRENT RATE REQUEST CONSISTENT WITH**
2 **EXPECTATIONS OR COMMITMENTS MADE AT THE TIME OF**
3 **THE MERGER?**

4 A. Yes. This rate proceeding is in line with expectations at the time of
5 the merger. The Merger Conditions adopted as part of the merger order
6 (Order No. 2018-804) stated that the Company “will commit to freezing
7 electric base rates at current levels until January 1, 2021” and “shall file an
8 electric general rate case no earlier than May 1, 2020, based on a test year
9 ended December 31, 2019” with “rates to be effective January 1, 2021.” At
10 the request of the Company, this aspect of Order No. 2018-804 was amended
11 in light of the COVID-19 pandemic and gave DESC flexibility as to the filing
12 of this proceeding. But the terms of the Merger Conditions adopted in 2018
13 validly reflect the expectations underlying the merger, which were that there
14 would be a rate case in mid-2020.

15 **III. THE PERFORMANCE OF DESC SINCE THE DOMINION**
16 **ENERGY/SCANA MERGER AND PLANS FOR THE FUTURE**

17 **Q. WHEN DID YOU TAKE ON YOUR CURRENT LEADERSHIP ROLE**
18 **AT DESC?**

19 A. I was assigned the role of leading the Southeast Energy Group and
20 DESC on January 1, 2019. I began my responsibilities at DESC at that time.

1 **Q. WHAT WERE DOMINION ENERGY’S PRIORITIES FOR DESC IN**
2 **THIS TRANSITION?**

3 A. At the time of the merger, Dominion Energy pledged that DESC
4 would focus on providing safe, reliable and efficient delivery of affordable
5 energy to customers and on supporting the communities it serves. During my
6 first few months on the job, what I heard from the public reaffirmed for me
7 that these were the right priorities for the Company. Customers want
8 excellent utility service. They want a company that plays a positive role in
9 the communities it serves and contributes to the prosperity of the State of
10 South Carolina through economic development. Those expectations were
11 fully consistent with the goals Dominion Energy communicated before the
12 merger.

13 **Q. WHAT DID YOU NEED TO UNDERSTAND ABOUT THE**
14 **COMPANY WHEN YOU JOINED IT?**

15 A. When I joined the Company, it was important for me to understand
16 whether or not it was up for the challenge of meeting the priorities we had
17 set. Career utility operators are afforded good opportunities to assess the
18 performance of their peers through jointly conducted benchmarking efforts
19 and through witnessing the performance of teams sent to assist in storm
20 restoration. The knowledge accumulated in this way provides a basis for us
21 to assess how well a utility can perform as compared to industry standards

1 and peer groups. I was very familiar with DESC from my interactions with
2 the utility through benchmarking and storm restoration over the years. Based
3 on my direct interactions with DESC, I understood the utility to have strong
4 core operations and professionalism.

5 When the merger closed, I needed to know if that was still the case.
6 The teams that had kept the utility system running in 2017 and 2018 had
7 worked with limited resources and little or no capital to spend. They had
8 suffered the effects of constant criticism and unrelentingly negative news. It
9 was not clear how utility systems might have been affected or employees'
10 commitment to their jobs might have suffered during that time.

11 **Q. AS YOU OBSERVED THE COMPANY FROM THE INSIDE, WHAT**
12 **DID YOU FIND?**

13 A. I found that DESC's utility systems and its safety and work culture
14 remained healthy. The core systems and operations of the Company were
15 intact and functional because of the remarkable performance of employees
16 during the 2017-2018 period. In the face of great adversity, DESC employees
17 had continued to do what they needed to do to serve customers and maintain
18 the system. They had taken their commitment as utility providers to their
19 neighbors and communities very seriously. They continued to take pride in
20 their jobs. Most employees saw the merger positively and welcomed the

1 opportunity for a fresh start as a part of Dominion Energy and the opportunity
2 to continue to serve customers as they had done for years.

3 **Q. WHAT ACTIONS WERE TAKEN AFTER MERGER CLOSE?**

4 A. Consistent with our priorities, beginning on January 1, 2019, we
5 focused our efforts on providing safe, reliable and efficient delivery of
6 affordable energy to customers and on supporting the communities we serve.
7 Our goal of flawlessly completing the merger conditions was treated as the
8 pathway to beginning the process of addressing the urgent problem of
9 rebuilding trust and respect. I will discuss what we have done to meet those
10 merger commitments in some detail later in my testimony.

11 We have also treated the merger closing and integration process as an
12 opportunity to demonstrate Dominion Energy's core values in practice and
13 to imbed them into the DESC organization. The core values of Dominion
14 Energy are safety, ethics, excellence, embracing change, and One Dominion
15 Energy. The latter is our term for teamwork across all Dominion Energy
16 operations. In keeping with the One Dominion Energy value, we have sought
17 to engage DESC employees in the culture of the broader enterprise and to
18 show them that they are valued members in the larger Dominion Energy
19 team.

20 Looking externally, the leadership team has worked to be an excellent
21 partner on energy matters with customers, with communities, with the state

1 and with its leadership. We strive to be humble in our dealings with external
2 stakeholders, to be good listeners and to always act with good intentions. Our
3 goal is to be transparent even when the content communicated is unwelcome.
4 Through our efforts, we have made progress towards rebuilding trust and
5 respect among the communities we serve, with the state and with its
6 leadership, but we accept that we still have a long way to go.

7 **Q. HOW DO YOU MEASURE DESC'S PERFORMANCE SINCE THE**
8 **MERGER?**

9 A. Calendar year 2019 is both the first year after merger close and the
10 test year for this rate case. Other Company witnesses, specifically Mr.
11 Kissam, Ms. Griffin, Mr. Coffey, and Mr. Kochems, will testify in more detail
12 about the specifics of these matters. But what follows is an overview of the
13 priorities and commitments we have pursued and our performance in
14 achieving them during 2019.

15 **Q. HOW HAS DESC PERFORMED REGARDING ITS COMMITMENT**
16 **TO PROVIDE THE SAFE, RELIABLE AND ECONOMICAL**
17 **DELIVERY OF ELECTRIC POWER TO ITS CUSTOMERS?**

18 A. Mr. Kissam will discuss our operational performance in much more
19 detail. But let me provide a few important examples:

20 **Record Safety Performance.** Safety is a core value at our Company.

21 Nothing is more important than ensuring the safety of the public and our

1 employees in the way we work, every minute of every day. In 2019, our
2 Occupational Safety and Health Administration (“OSHA”) recordable
3 accident rate was an all-time record low. It was far lower than national and
4 regional averages. This makes a strong statement about the skill and
5 professionalism of our people and their commitment to safety.

6 **Record Reliability Performance.** We measure reliability in terms of
7 average minutes out per customer excluding major storms, also known as
8 System Average Interruption Duration Index or SAIDI. Our SAIDI scores
9 were also at an all-time low in 2019, far exceeding what customers of our
10 peer investor-owned utilities in the state experienced. This score validates
11 our commitment to reliability and the benefit to customers from the
12 investments we have made to support reliability.

13 **Outstanding Response to Extreme Weather.** Since the merger
14 closed, we have experienced the effects of Hurricanes Dorian and Isaias and
15 the tornados of April 2020. These storms have demonstrated that DESC’s
16 storm resiliency and ability to restore service is impressive. As Mr. Kissam
17 will discuss in more detail, Hurricane Dorian caused outages for over
18 279,000 customers, nearly 80% of our customers in the Charleston
19 component of our service territory. But service was restored in a little more
20 than three days. In early August, Hurricane Isaias brought tropical force

1 storm winds throughout the Charleston area. At the height of the outage, less
2 than 250 customers in the Charleston area were without power.

3 In April 2020, tornados seriously damaged major parts of our
4 transmission and distribution system in the areas south and east of
5 Orangeburg. In all, 117,000 customers lost power. But despite the obstacles
6 posed by the COVID-19 pandemic and extreme damage along multiple
7 tornado paths, we were able to restore service quickly, restoring service to
8 96% of customers in 24 hours and achieving full restoration in slightly more
9 than three days.³ Those successes are a credit to the hard work and dedication
10 of our employees, who are personally committed to keeping the lights on. It
11 is also a reflection of the value of the investments we have made to build a
12 more resilient transmission and distribution system.

13 **Improving Customer Service.** We are improving customer service
14 by making it easier for customers to do business with the Company. Our
15 telephone and web-based systems assist with customers' needs or concerns
16 and offer assistance based on account status, outages in the area, and
17 approaching storms. As Mr. Kissam testifies, we are improving customer
18 service and reducing our customer service costs at the same time.

³ Customer outages in an event can be reported in two ways. Total Customers Affected is the cumulative total of customer outages experienced during the event. Peak Customer Outages is the highest number of customer outages at any point in the event. The numbers reported for Hurricanes Dorian represent Total Customers Affected. The numbers reported for Hurricane Isaias and the 2020 tornados reflect Peak Customer Outages.

1 **Smart Meters.** We also used 2019 to lay the groundwork for
2 deployment of networked smart electric meters, known as advanced metering
3 infrastructure or AMI. This is an approximately \$98 million program that
4 will involve installing over 760,000 electric meters. These meters help
5 customers to control the due dates of their bill, interact with web-based
6 energy usage analyzers, receive automatic outage notifications, immediately
7 access their current usage information, and place same day or real time
8 customer service requests. Installation will be completed in early 2023.

9 **Energy Efficiency.** In December 2019, the Commission approved
10 our DSM proposal for a five-year extension and an expanded portfolio of
11 programs. As a result, over the next five years DESC will double its energy
12 efficiency investment and significantly expand DSM programs available for
13 our customers.

14 **Efficient Staffing.** Although our customer base grew by nearly 2%
15 in 2019, the size of our workforce in South Carolina was reduced by roughly
16 15% through a voluntary early retirement program and natural attrition.

17 **Merger Savings.** During 2019, we were able to achieve
18 approximately \$45 million in savings due to integration of systems and
19 processes where economies of scale were possible.

20 **Q. IN CONCLUSION, WHAT IS YOUR ASSESSMENT OF THE**
21 **PERFORMANCE OF THE COMPANY'S UTILITY OPERATIONS?**

1 A. As I stated earlier, career utility operators are afforded good
2 opportunities to assess the performance of their peers, and this provides a
3 basis to assess how well a utility is performing as compared to industry
4 standards and peer groups. While every company has opportunities to
5 improve, the core operation of the utility and the skills and professionalism
6 of the South Carolinians that work for DESC are outstanding. My experience
7 inside the Company validates the impression I had prior to my arrival in
8 South Carolina. This is a utility with strong core operations and a strong
9 commitment to safety and professionalism.

10 **Q. WHAT IS YOUR ASSESSMENT OF THE STATUS OF THE**
11 **PERFORMANCE OF THE OPERATION OF V.C. SUMMER UNIT 1?**

12 A. During 2019, V.C. Summer Unit 1 operated at a capacity factor of
13 101.78% computed according to the fuel clause statutory standard.
14 Operations at the unit have been assessed as exemplary by an objective peer
15 group evaluation. The spring outage of 2020 was the shortest in the history
16 of V.C. Summer Unit 1 at just over thirty days, which was four days shorter
17 than the prior record, leveraging Dominion Energy's track record of
18 returning units to service quickly after refueling.

19 The design of V.C. Summer Unit 1 is similar to that of other units in
20 the Dominion Energy fleet, and V.C. Summer Unit 1 is well along the process
21 of adopting fleet procedures to align with the rest of the Dominion Energy

1 units. Integrating V.C. Summer Unit 1 into the Dominion Energy fleet has
2 allowed its employees to have ready access to peers at Dominion Energy who
3 operate similar units. It has made the experience and know-how of V.C.
4 Summer Unit 1 employees available to the larger organization. Alignment
5 with the larger Dominion Energy fleet, along with the Voluntary Retirement
6 Program (“VRP”), has allowed V.C. Summer Unit 1 to operate with an
7 approximately 10% lower headcount while still achieving the
8 aforementioned score and record.

9 **IV. FUTURE OPERATIONAL PLANS**

10 **Q. WHAT ARE THE PLANS FOR THE FUTURE AS REGARDS DESC’S**
11 **UTILITY OPERATIONS?**

12 A. The commitments to excellent utility service made during the merger
13 proceedings and the priorities established at that time will not change.

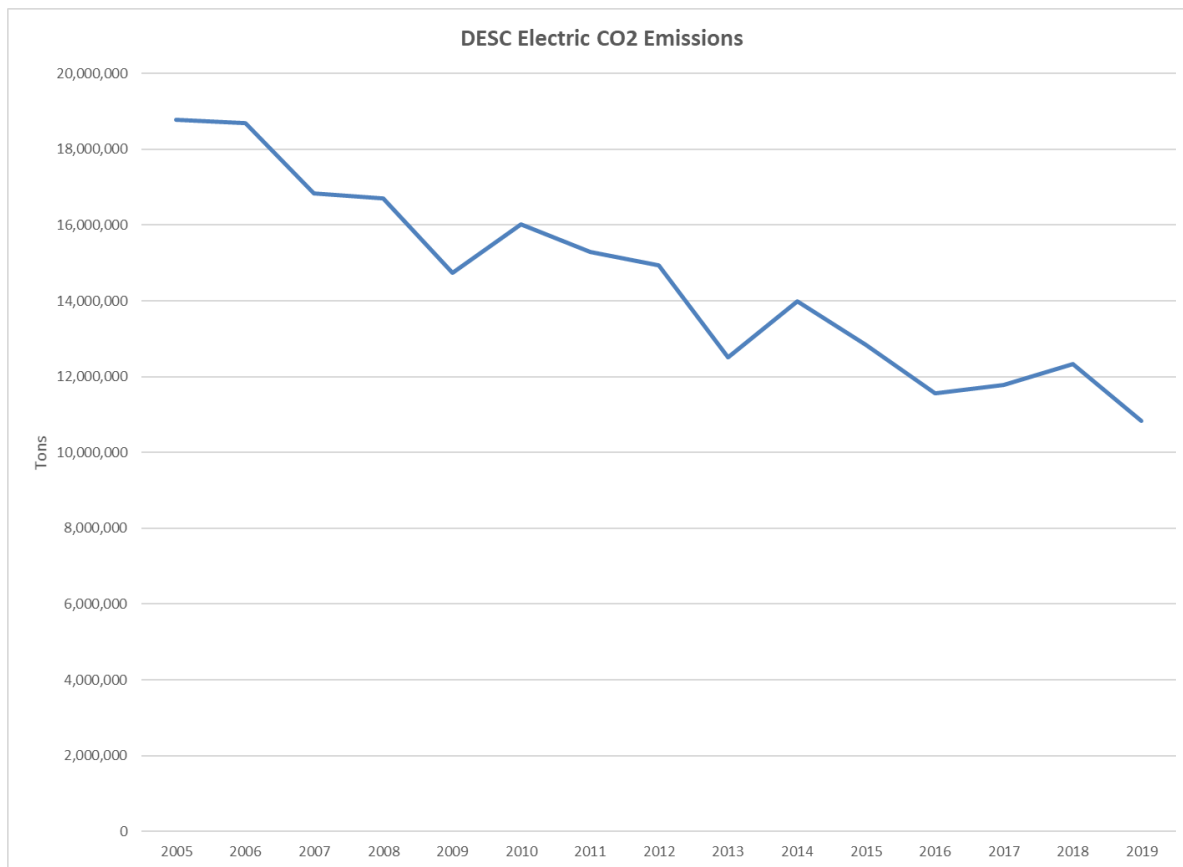
14 The future of energy production and delivery in the decade ahead is
15 more challenging and more complicated than at any time in the last century.
16 Meeting the needs of a society that depends upon reliable electric service and
17 demands an increasingly cleaner product will require investment. Generation
18 resources will continue to move towards lower emitting and more efficient
19 fuel sources. Modern fast-start generation that is capable of managing the
20 intermittency of renewables will be required. Electric transmission capacity
21 will be required to more nimbly move power between load centers. A

1 modernized distribution grid, and new technology deployed across all
2 aspects of it, will be needed to improve efficiency, lower costs, create
3 flexibility and manage the complexity of the business.

4 **Q. HOW IS DESC SUPPORTING THE TRANSITION TO INCREASED**
5 **RENEWABLE ENERGY?**

6 A. **Investing in a sustainable energy future.** Including existing and
7 scheduled utility scale solar, over 20% of DESC's retail summer peak
8 generation will come from solar facilities by the summer of 2021. The
9 Southern Alliance for Clean Energy's *Solar in The Southeast Report* found
10 that among the major southeast utilities, DESC had the second most solar
11 watts per customer and found that South Carolina is outpacing the rest of the
12 Southeastern states in increasing solar watts per customer. DESC has also
13 reduced its reliance on coal as a fuel for generating electricity, helping to
14 lower carbon emissions from its power plants by 42% from 2005 to 2019, as
15 shown in Graph B.

16 (Graph B on following page)

Graph B – Electric Carbon Emissions from 2005 to 2019

Dominion Energy announced earlier this year a significant expansion of the Company's emissions reduction goals and established a new commitment to achieve net zero greenhouse gas emissions across our electric and natural gas operations by 2050.

V. MERGER COMMITMENTS

Q. HAS DOMINION ENERGY MET ITS MERGER COMMITMENT TO SUPPORT DESC'S FINANCIAL STRUCTURE AND ACCESS TO CAPITAL MARKETS?

1 A. Yes. Company Witness Ms. Griffin answers this question in more
2 detail in her testimony. To summarize, at the time of the merger, Dominion
3 Energy committed to support DESC in maintaining financial metrics
4 consistent with a strong investment grade credit rating and a capital structure
5 with a 50% to 55% equity component. Since January of 2019, Dominion
6 Energy has infused \$825 million in equity to DESC to strengthen its balance
7 sheet, suspended dividends and made short-term credit facilities available.
8 Using cash from these sources, DESC has been able to reduce its long-term
9 debt by \$1.7 billion and sustain an equity component that was 53.35% at the
10 close of the Test Year. Dominion Energy has done as it promised.

11 **Q. HOW HAS DESC PERFORMED SINCE THE MERGER**
12 **REGARDING ITS COMMITMENT TO MAINTAIN ITS**
13 **HEADQUARTERS IN CAYCE AND PROVIDE OPPORTUNITIES**
14 **FOR SOUTH CAROLINA EMPLOYEES?**

15 A. **Maintaining the Cayce headquarters.** As it committed to doing in
16 the merger, Dominion Energy has maintained the headquarters for DESC in
17 Cayce, South Carolina. Apart from nuclear operations, whose leadership is
18 centralized across Dominion Energy's nationwide operations, the leadership
19 of South Carolina operations remains in Cayce, South Carolina.

20 **Providing opportunities for South Carolina employees.** As
21 mentioned earlier, as of June 30, 2020, approximately 3,500 Dominion

1 Energy employees were located in South Carolina and approximately 1,250
2 of those employees were located at the Company's two facilities in Cayce.
3 Prior to June 30, 2020, 487 employees had taken voluntary early retirement.
4 A number of employees who have remained with the Company have been
5 reassigned to open positions that allow them to remain in South Carolina,
6 and other positions have been eliminated or remain unfilled.

7 South Carolina employees are also getting opportunities to work
8 across the broader Dominion Energy enterprise. SCANA's former general
9 counsel is now the Chief Deputy General Counsel for Dominion Energy
10 overseeing litigation, claims, employment law issues and other matters for
11 the Company nationwide. He is located at our South Carolina headquarters.
12 Dominion Energy's Manager for Labor Relations is also a South Carolina
13 employee working from our South Carolina headquarters. He oversees labor
14 relations across Dominion Energy's nationwide operations. A number of
15 employees, including information technology, cyber security, and
16 environmental and gas safety personnel, are now performing national jobs
17 from the Cayce location. Several former DESC employees have advanced
18 to positions in Dominion Energy headquarters. Dominion Energy is
19 maintaining a strong employment base in South Carolina and providing
20 opportunities across its operations for South Carolina personnel.

1 **Q. HOW HAS DESC PERFORMED SINCE THE MERGER**
2 **REGARDING ITS COMMITMENT TO SUPPORT THE**
3 **COMMUNITIES IT SERVES?**

4 A. **Making a Positive Impact on Communities.** As part of the merger,
5 Dominion Energy made a five-year commitment to invest an additional \$1
6 million in charitable spending in the communities it serves above the pre-
7 merger level of approximately \$3 million. In 2019, Dominion Energy
8 contributed \$48 million to community causes throughout its footprint, and
9 South Carolina received \$6.5 million of this amount. A significant amount
10 of Dominion Energy's charitable funding is provided through the Dominion
11 Energy Charitable Foundation. Foundation grants are funded by shareholder
12 dollars.

13 The Dominion Energy Charitable Foundation awards grants in four
14 focus areas:

- 15 • Human needs grants that support increased food security,
16 housing and shelter, and access to basic medical and health
17 care.
- 18 • Environmental stewardship grants to protect natural resources
19 and help nonprofit organizations make efficient use of energy.

- Education grants to develop the capacity of the future workforce, especially in science, technology, engineering, and mathematics (“STEM”) and energy fields.
- Community vitality grants to foster an appreciation of diversity, revitalize neighborhoods and ensure a vibrant community life through support of cultural endeavors.

Examples of the support given to communities in South Carolina include:

International African American Museum – Charleston, SC. In June 2019, Dominion Energy announced a \$2.5 million donation to support design and construction of the International African American Museum in Charleston, SC. This was one of the largest single donations to a nonprofit cause in the Company’s history. Dominion Energy will also provide 1,000 charter memberships to the museum for individuals and families served by the Charleston Promise Neighborhood, which provides educational programming to underserved students.

Critical Community Needs Grants. In 2019, Dominion Energy, through its Charitable Foundation, awarded grants to more than 200 nonprofit organizations in 13 states to help feed, house and care for people in need. Twenty-one nonprofits in South Carolina received grants totaling \$241,500.

1 **Expanded Matching Gifts and Dollars for Doers Programs.** The
2 Dominion Energy Charitable Foundation matches employee donations to
3 eligible nonprofits dollar-for-dollar. Employees can also request two for one
4 matches and unmatched grants for qualifying nonprofits where employees
5 have invested significant volunteer hours. In 2019, South Carolina employee
6 matching gifts and Dollars for Doers gifts totaled \$237,210 for 168 different
7 nonprofit organizations.

8 **EnergyShare Expansion.** In 2020, Dominion Energy finalized the
9 expansion of EnergyShare into South Carolina with a \$250,000 donation to
10 the program, which is administered through the South Carolina Office of
11 Economic Opportunity (“OEO”). In support of customers during the
12 pandemic, an additional \$500,000 donation was made this summer.
13 EnergyShare helps qualified low income, disabled and elderly customers
14 with bill pay assistance. The OEO also receives a monthly check for
15 EnergyShare program funds through voluntary donations from the
16 Company’s customers, employees and retirees. In 2019 alone, DESC
17 customers, employees and retirees contributed \$155,000 to the program.

18 **Q. HOW IS DESC SUPPORTING THE COMMUNITIES IT SERVES**
19 **THROUGH ITS EMPLOYMENT, DIVERSITY AND INCLUSION**
20 **PRACTICES?**

1 A. **Creating a More Diverse & Inclusive Work Environment.**

2 Diversity and inclusion make DESC a stronger company and allow it to
3 better support the communities it serves. DESC intends for its workforce to
4 be representative of those communities and to be a place where all people
5 can work and be included. In 2019, DESC implemented new diversity and
6 inclusion initiatives that are in alignment with Dominion Energy's
7 enterprise-wide initiatives. Goals under the Dominion Energy Annual
8 Incentive Plan include a requirement for all leaders across the organization
9 to conduct diversity and inclusion sessions for all of their employees and for
10 employees to participate in them. A 95% participation rate is required for
11 the goals to be met. Also included in the Annual Incentive Plan is a supplier
12 diversity goal, which applies across the Dominion Energy organization and
13 was rolled out for initial implementation in South Carolina in 2019.

14 After the merger close, we established a Dominion Energy South
15 Carolina Diversity & Inclusion Council similar to the Diversity & Inclusion
16 Councils that exist throughout the Dominion Energy organization. During
17 2019, students from South Carolina colleges and universities, including
18 historically black colleges and universities ("HBCUs"), were invited to a
19 Dominion Energy Diversity Student Conference in Virginia to encourage
20 them to apply for jobs with the companies. DESC leaders attended the

1 conference, interviewed and offered five internships to students, and those
2 five students participated in a virtual summer internship.

3 Through the Diversity Student Scholarship program, Dominion
4 Energy also offers scholarships for female and/or minority student interns
5 working during the summer to help with the cost of their schooling for the
6 following year. DESC awarded five of these scholarships this summer.

7 **Supporting Veterans.** In the fall of 2019, DESC joined the US
8 Department of Defense program where employers pledge full support of
9 employees in the National Guard and Reserve. DESC pays deployed military
10 employees 100% of their salary differential during their deployment for up
11 to five years; provides health and other benefits to cover deployed reservists
12 and their dependents during deployment; provides paid time off for Guard
13 and Reserve duty in addition to personal paid time off; has added Veteran's
14 Day as a paid employee holiday and has established the Dominion Energy
15 Veterans Network, an employee resource and support group. Dominion
16 Energy job postings now include a Military Skills Translator that allows job
17 seekers to identify comparable civilian jobs based on their
18 MOS/AFSC/Rating. Dominion Energy actively recruits retiring military
19 personnel.

20 **Q. HOW IS DESC RESPONDING TO CONCERNS SURROUNDING**
21 **SOCIAL JUSTICE AND THE COVID-19 PANDEMIC?**

1 A. **Commitment to Support Social Justice and Community**

2 **Rebuilding Efforts.** In June 2020, Dominion Energy announced a \$5
3 million commitment to social justice and community rebuilding efforts
4 across the Company's 20-state footprint in response to recent social unrest.
5 These funds will be used to support nonprofit organizations and to help
6 minority-owned and small businesses recover from recent disruptions to their
7 businesses. The first South Carolina organization to receive support, the
8 Columbia Urban League, will receive a \$200,000 grant to support its ongoing
9 work in the areas of social justice and equality.

10 In July 2020, Dominion Energy committed to provide \$35 million in
11 funding to advance higher education equity. This six-year initiative includes
12 \$25 million in support of eleven HBCUs including Benedict College, Claflin
13 University, Allen University, and South Carolina State University and \$10
14 million in scholarships for African American and underrepresented minority
15 students.

16 **COVID-19 Support.** In March 2020, DESC announced a \$125,000
17 contribution to the One SC Fund to support a collaborative statewide
18 response to the COVID-19 pandemic. The contribution is part of the
19 Dominion Energy Charitable Foundation's \$1 million to support national
20 organizations, such as the American Red Cross, as well as to address local

1 needs. In addition, DESC made a \$50,000 grant to support Harvest Hope
2 Food Bank for its feeding programs related to COVID-19.

3 **VI. OTHER ISSUES**

4 **Q. WHAT HAVE BEEN THE IMPACTS OF THE COVID-19**
5 **PANDEMIC?**

6 A. Like other businesses and agencies providing critical services to
7 communities, we have continued to conduct business since the onset of the
8 pandemic and have implemented new policies meeting or exceeding CDC
9 recommendations. There has been no impact to the safe, reliable and
10 economical delivery of affordable energy to customers. Office employees
11 who can be productive working remotely have been doing so since March
12 and will continue to do so until at least January 4, 2021. We initially
13 experienced a substantial reduction in sales centered around the time period
14 when many industrial customers were shut down in April, but loads began to
15 rebound as the economy reopened later in the spring and early summer. Load
16 trends are expected to continue through the late summer.

17 To assist our customers in economic difficulty, we proactively
18 suspended disconnections for nonpayment and late fee charges on March 13,
19 2020, and have pledged to continue that suspension until September 15,
20 2020, approximately four months later than mandated. The Company is

1 proactively educating customers with past due balances about available
2 energy assistance and expanded payment plan programs.

3 **Q. WHAT IMPACTS WILL THE SALE OF CERTAIN GAS ASSETS TO**
4 **BERKSHIRE HATHAWAY ENERGY HAVE ON DESC'S**
5 **OPERATIONS?**

6 A. On July 5, 2020, Berkshire Hathaway, Inc. agreed to purchase a group
7 of gas transmission and storage assets from Dominion Energy. Included in
8 the purchase was Dominion Energy Carolina Gas Transmission ("DECGT"),
9 a Federal Energy Regulatory Commission ("FERC")-regulated interstate
10 pipeline that provides wholesale gas transmission service in South Carolina
11 and Georgia. The assets associated with the transaction are not part of DESC,
12 and there will be no impact to the Company due to the sale. The contracts
13 under which DECGT provides service to DESC will remain in place subject
14 to FERC jurisdiction and oversight.

15 **VII. TIMING OF THE RATE PROCEEDING**

16 **Q. WHY FILE THIS RATE CASE NOW?**

17 A. Current base rates do not reflect the true cost of providing service to
18 customers. Since DESC's last retail electric rate case eight years ago, the
19 Company has invested over \$3.2 billion in electric system assets and
20 connected over 80,000 new customers. It has taken discipline, prudence and
21 cost control to hold the rate request to a level that equals less than 1% per

1 year over that time period. However, rate relief is clearly warranted at this
2 time to support the Company's continued investment in the utility system
3 required to meet the needs and expectations of our customers.

4 Filing now also eliminates uncertainty about future rates and how the
5 Company's continued investment in its electric system will be treated in the
6 rate making process. Removing that uncertainty will be beneficial to
7 customers and to businesses that are contemplating locating in or expanding
8 in South Carolina.

9 **Q. WHY FILE A RATE CASE DURING THE COVID-19 PANDEMIC?**

10 A. We recognize that there may never be an ideal time to request a
11 regulatory rate review. New rates under this case will not take effect until
12 March of 2021, more than a year into the pandemic response. As mentioned
13 above, we are helping our customers who are struggling financially through
14 the pandemic. No matter the circumstances, our customers continue to count
15 on us to keep the electricity flowing—now more than ever. That is exactly
16 what we have been doing. A regulatory rate review is critical to our
17 Company's ability to continue to provide the essential service of electricity
18 safely and reliably.

19

VIII. CONCLUSION

Q. IN CONCLUSION, WHAT ARE YOU ASKING THE COMMISSION TO DO?

A. DESC is respectfully asking the Commission to recognize that the rate adjustments requested here are long-delayed and necessary. They are just and reasonable given the cost of providing electric service and the performance of the Company. The amount is no more than is required to support DESC's continued ability to provide safe, reliable and economical electric service for customers. For these reasons, DESC respectfully requests that the Commission approve the Application.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.